

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF ALLEGED VIOLATIONS OF THE RULES AND) CAUSE NO. 1V
REGULATIONS OF THE COLORADO OIL AND GAS CONSERVATION)
COMMISSION BY **WILLIAMS PRODUCTION RMT COMPANY**,) DOCKET NO. 1008-OV-06
GARFIELD COUNTY, COLORADO)

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

On May 15, 2007, the Director ("Director") of the Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") approved two Applications for Permit-to-Drill, Form 2, for the Puckett #WGV 21-23-697 Well (API No. 05-045-14154) and the Puckett #WGV 22-23-697 Well (API No. 05-045-14155) located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 23, Township 6 South, Range 97 West, 6th P.M., submitted by Williams Production RMT Company ("Williams").

The Puckett #WGV 21-23-697 Well was completed on September 25, 2007 and the Puckett #WGV 22-23-697 Well was completed on September 13, 2007. Both wells produced from the WGV 21-23-697/22-23-697 Well Pad (the "WGV Well Pad"), located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 23, Township 6 South, Range 97 West, 6th P.M., with gas production from both wells beginning in October 2007.

Produced water containing dissolved hydrocarbons ("Produced Water") from the Puckett #WGV 21-23-697 Well and the Puckett #WGV 22-23-697 Well were placed in a lined, but not permitted, production pit located on the WGV Well Pad. The pit was placed into operation on or around the date of first production (October 1, 2007). Williams used the production pit on the WGV Well Pad as an unpermitted production pit for the temporary storage of produced water from the date of first production until October 9, 2008 when Williams asserts that it became aware the pit had not been permitted and subsequently submitted a Form 15 Pit Permit for the pit.

On May 31, 2008, Ned Prather contacted the COGCC Staff to make a complaint that he had become ill after drinking water from the kitchen faucet in his cabin that was sourced from the Prather Spring (the "Spring"). The Spring is located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 14, Township 6 South, Range 97 West, 6th P.M.

On December 18, 2008, COGCC Staff issued two Notices of Alleged Violation ("NOAVs") to Williams for operations on the WGV Well Pad, which is located east/southeast and approximately 1,500 feet up-gradient of the Spring. Those NOAVs are:

- NOAV #200200601 for Puckett #WGV 21-23-697 Well
- NOAV #200200603 for Puckett #WGV 22-23-697 Well

The NOAVs had abatement deadlines of January 13, 2009. The NOAVs cited alleged violations of the following COGCC Rules:

a. Rule 209, which, as of December 18, 2008, required operators to exercise due care in the protection of coal seams and water-bearing formations, with special precautions taken in drilling wells to guard against any loss of artesian water from the stratum in which it occurs and the contamination of fresh water by objectionable water, oil, or gas;

b. Rule 324A.a., which, as of December 18, 2008, required operators to take precautions to prevent significant adverse environmental impacts to air, water, soil, or biological resources to the extent necessary to protect public health, safety and welfare and to prevent the unauthorized discharge of exploration and production ("E&P") waste;

c. Rule 324A.b., which, as of December 18, 2008, provided that no operator, in the conduct of any oil or gas operation, shall perform any act or practice which shall constitute a violation of water quality standards or classifications established by the Colorado Department of Public Health and Environment, Water Quality Control Commission ("CDPHE-WQCC") for waters of the state;

d. Rule 902.a., which, as of December 18, 2008, required that a pit used for E&P waste shall be constructed and operated to protect waters of the state from significant adverse environmental impacts from E&P waste;

e. Rule 906.a., which, as of December 18, 2008, provided that spills/releases of E&P waste, including produced fluids, shall be controlled and contained immediately upon discovery, and that impacts resulting from spills/releases shall be investigated and cleaned up as soon as practicable;

f. Rule 906.b.(3), which, as of December 18, 2008, provided that spills/releases of any size which impact or threaten to impact any waters of the state shall be verbally reported to the COGCC Director as soon as practicable after discovery;

g. Rule 907.a.(1), which, as of December 18, 2008, provided that operators shall ensure that E&P waste is properly stored, handled, transported, treated, recycled, or disposed to prevent threatened or actual significant adverse environmental impacts to air, water, soil or biological resources or to the extent necessary to ensure compliance with allowable concentration levels in Table 910-1, with consideration of CDPHE-WQCC ground water standards and classifications; and

h. Rule 907.a.(2), which, as of December 18, 2008, required that E&P waste management activities shall be conducted, and facilities constructed and operated, to protect the waters of the state from significant adverse environmental impacts from E&P waste.

The NOAVs required Williams to provide written descriptions of: (1) any pits constructed or used on the WGV Well Pad, including size, volume, whether or not the pit was lined, (2) all fluids (water, drilling, completion, and frac fluids, flowback, etc.) placed in the pit, including volumes, dates, etc., and provide haul tickets for all fluids brought from offsite to the pit(s), (3) whether condensate was observed in the pit(s) during flowback or completion, and (4) tanks or other containers that were used at this site to manage fluids and any spills/releases that occurred. Further, Williams was required to submit: (1) a Form 27, *Site Investigation and Remediation Workplan*, for COGCC review, and (2) all analytical data collected to date.

COGCC records reveal that the production pit on the WGV Well Pad was lined, but not permitted prior to or at or around the time of construction. Williams used the production pit on the WGV Well Pad to manage Produced Water from on or around the date of first production from the WGV Well Pad (October 1, 2007) until and through October 9, 2008 (a period of 375 days), when Williams submitted a Form 15 *Pit Permit* as required by Rule 903.a. (formerly Rule 903.a.(1)B.).

Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rules 324A.a., 324A.b., 902.a., 903.a., 906.a., 906.b.(3), 907.a.(1), and 907.a.(2). Rule 523.a.(3) specifies that "the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation," unless the violation results in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment.

Based on the above facts, COGCC Staff has concluded that the release or releases of E&P waste from the production pit on the WGV Well Pad resulted in a significant adverse impact to the environment and public health, safety, and welfare. The bases for this conclusion are:

- a. The release or releases of E&P waste impacted the Spring.
- b. The contaminated water from the Spring was ingested by Mr. Prather on May 30, 2008 when he drank water from the faucet in the kitchen of his cabin.
- c. On June 4 2008, five days after the initial discovery of the contamination, the concentration of benzene detected in water discharging from the Spring and the kitchen faucet in the Prather cabin exceeded the then-applicable Table 910-1 standard.

Williams should be found in violation of **Rule 324A.a.** because it placed Produced Water in a lined pit on the WGV Well Pad, but the pit liner leaked and allowed fluids to be released to the environment, and by so doing, Williams failed to take precautions to prevent significant adverse environmental impacts to air, water, soil, or biological resources to the extent necessary to protect public health, safety and welfare and to prevent the unauthorized discharge of oil, gas or E&P waste. COGCC Staff allege that this rule violation resulted in a significant adverse impact on public health, safety or welfare or the environment.

Williams should be found in violation of **Rule 324A.b.** because it placed Produced Water in a lined pit on the WGV Well Pad, but the pit liner leaked and allowed fluids to be released to the environment, and by so doing, Williams performed an oil and gas related act or practice which constituted a violation of the water quality standards or classifications established by WQCC for waters of the state. COGCC Staff allege that this rule violation resulted in a significant adverse impact on public health, safety or welfare or the environment.

Williams should be found in violation of **Rule 902.a.** because it placed Produced Water in a lined pit on the WGV Well Pad, but the pit liner leaked and allowed fluids to be released to the environment, and by so doing, Williams failed to construct and operate an E&P pit to protect waters of the state from significant adverse impacts from E&P waste. COGCC Staff allege that this rule violation resulted in a significant adverse impact on public health, safety or welfare or the environment.

Williams should be found in violation of **Rule 903.a.** because it used an unpermitted pit to manage Produced Water from on or around the date of first production, October 1, 2007, through October 9, 2008, when Williams submitted a Form 15 *Pit Permit* (Facility No. 414581), a period of 375 days.

Williams should be found in violation of **Rule 907.a.(2)** because it placed Produced Water in a lined production pit on the WGV Well Pad, but the pit liner leaked and allowed fluids to be released to the environment, and by so doing, Williams failed to conduct and operate E&P waste management activities in a manner which ensured the protection of the waters of the state from significant adverse environmental impacts from E&P waste. COGCC Staff allege that this rule violation resulted in a significant adverse impact on public health, safety or welfare or the environment.

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Thursday, August 12, 2010

Time: 9:00 a.m.

Place: TBD

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Margaret Humecki at (303) 894-2100 ext. 5139, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

In accordance with Rule 509., any interested party desiring to protest the granting of the application or to intervene on the application should file with the Commission a written protest or intervention no later than July 29, 2010, briefly stating the basis of the protest or intervention. Such interested party shall, at the same time, serve a copy of the protest or intervention to the person filing the application. An original and 13 copies shall be filed with the Commission. **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of August 2, 2010.** Pursuant to Rule 503.g., if a party who has received notice under Rule 503.b. wishes to receive further pleadings in the above-referenced matter, that party must file a protest or intervention in accordance with these rules.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Carol Harmon, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
June 30, 2010